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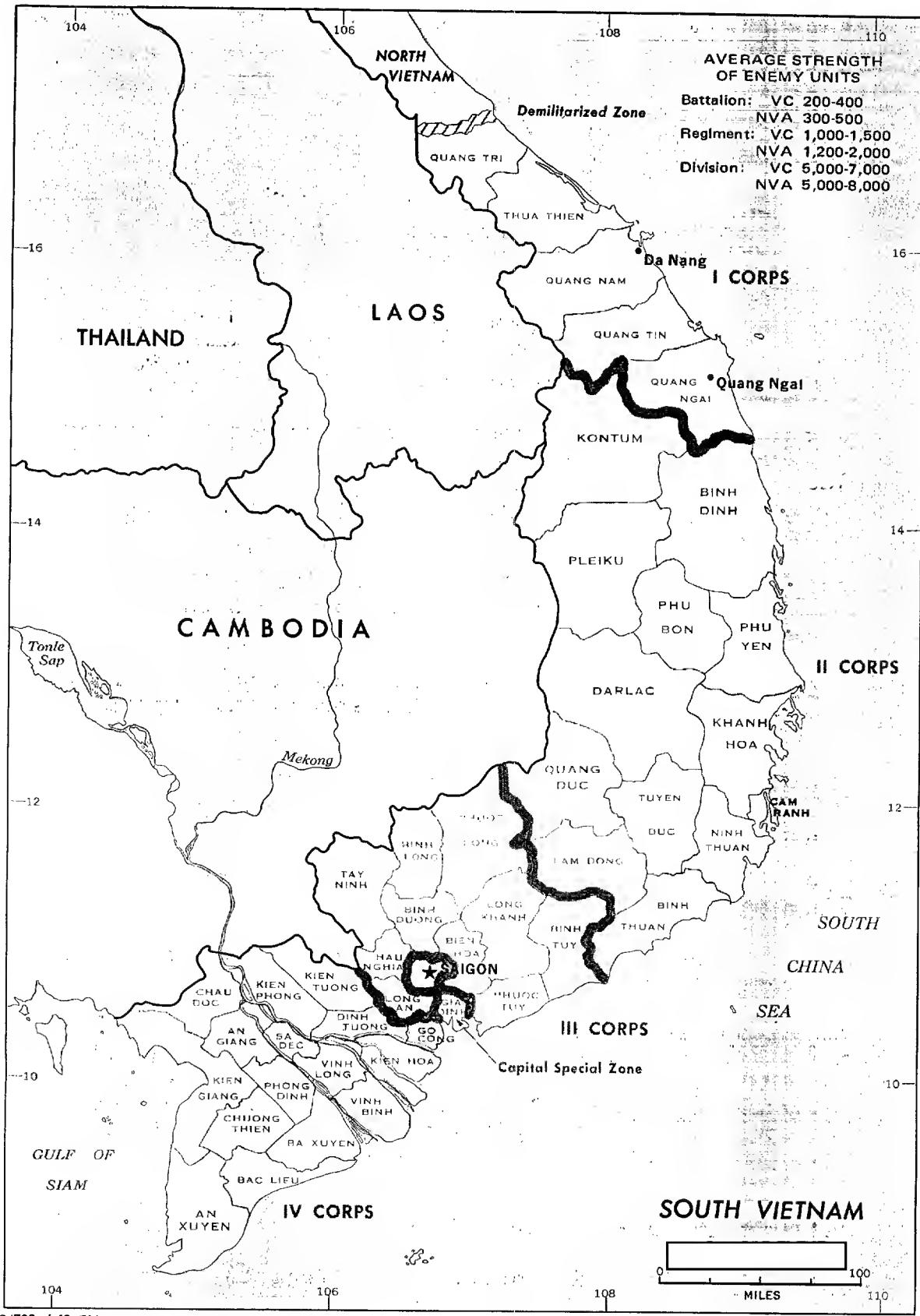
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South Vietnam: Communist forces staged limited rocket and ground attacks in the I Corps area on 16-17 April, but elsewhere enemy activity was at a low level.

Da Nang was hit by about 15 rounds of rocket fire. South of Da Nang a clash between Communist and ARVN troops resulted in losses of about a dozen men to each side. Enemy sapper forces caused light casualties in Quang Ngai city when attacking several structures with bazooka-type rocket fire.

[Map]

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Korea: The South Korean Government has thus far not taken an official position on the shootdown of a US reconnaissance aircraft by North Korea. Spokesmen for the government and opposition parties in South Korea, however, have called for the US to take strong retaliatory action to prevent more such incidents.

The incident is cited by some South Korean commentators as further evidence of South Korea's need for additional US military assistance. Underlying the South Korean reaction is concern over the US resolve to deal firmly with North Korean attacks.

Japanese Government spokesmen, citing lack of detailed information, have refrained from denouncing North Korea. Yesterday, Foreign Minister Aichi was put on the defensive in the Diet by the opposition with a heavy barrage of questions regarding the implications of the incident for Japan. The Socialists and Communists, stressing that the plane was from a US base in Japan, are exploiting popular fears that Japan might become embroiled in a Korean conflict. This line promotes the leftist campaign to scrap the US-Japan security treaty.

The Japanese press has developed the theme that an increase in tension in the area might dim prospects for an early return of Okinawa to Japanese administration.

* * * *

The Soviet Union, whose ships and aircraft have joined in the search for survivors, has used both US and North Korean press agency reports of the incident, but Soviet press commentary has supported the North Koreans.

Because Soviet ships were closest to the crash site, Moscow probably believed it had to help as long as there was the possibility of survivors. The

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Soviets may also believe their cooperation may help deter US retaliation, and relations with the US will thus not be endangered. Moscow may not mind if Pyongyang sees the cooperative search operations, in which the Soviets have recovered debris, as a tacit rebuke for its action against the US aircraft.]

[A North Korean claim that US forces fired into the Demilitarized Zone on 15 April is unsubstantiated.]

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Czechoslovakia: The party central committee is meeting this morning to grapple with problems arising from the recent anti-Soviet demonstrations.

The Soviets have maintained pressure for a purge of the liberals in the leadership, a greater role for party conservatives, and the imposition of tighter party control over society. At a minimum, central committee conservatives, who are in a minority, probably are pressing for an end to open expression of anti-Soviet sentiments, genuine control of the press, and for tighter party discipline.

Moderates and liberals may be expected to try to delimit strictly the censor's authority over the information media, and are virtually certain to oppose any other conservative proposals that would restrict personal rights and liberties. There probably will be changes in the top leadership.

It is unclear how the population will react if retrogressive personnel or policy shifts are made at the plenum. The leadership has played up its massive support, but there have also been warnings from the students and the trade unions not to backtrack too far.

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Arab States - Israel: Arab reaction to King Husayn's peace plan has been generally negative, and major terrorist organizations have vigorously denounced the scheme.

Husayn announced a six-point peace plan during a talk at the National Press Club in Washington on 10 April. The proposals are generally based on the November 1967 UN Security Council resolution, but were immediately rejected by almost all of the Arab countries as well as by the Israelis.

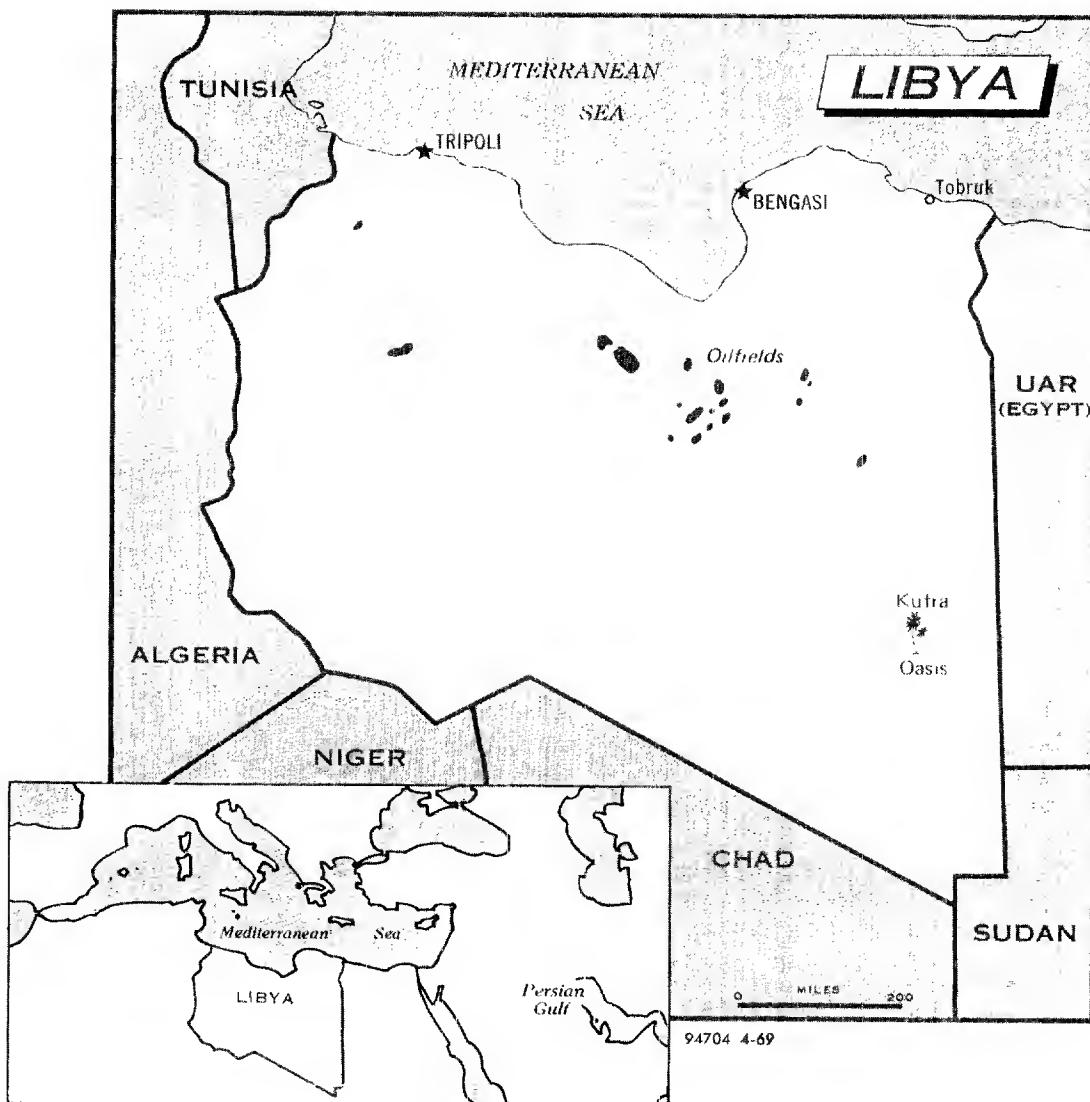
The Saudi press has attacked Husayn's ideas as containing "humiliating concessions" to Israel. Many Lebanese papers sharply criticized the proposal on the grounds that the Palestinians were not party to it, and Iraqi journals denounced it as "defeatist." The five major terrorist groups issued a communiqué on 15 April repudiating the plan in its entirety. Egyptian media have been relatively noncommittal--they reported the plan factually, but omitted Husayn's statement that it was offered with Nasir's blessing.

The terrorists are probably heartened by the area-wide rejection of Husayn's proposals, but may be unsure of Egypt's position. In Jordan, the commando groups' relations with the government could easily take a turn for the worse and lead to a new showdown between the terrorists and Jordanian security forces.

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Libya: The government has authorized an expenditure of \$3.22 billion for its second development plan, at least \$2 billion more than was authorized during its first plan period.

Libya's output of crude petroleum--the source of Tripoli's development funds--is expected to produce \$6.75 billion in government income during 1969-74. Although by law 70 percent of this sum is committed to economic development, some of it will be diverted to Jordan and Egypt as subsidies for their struggle against Israel. Some also will go to meet other obligations of the Libyan Government.

Libya's second development plan, like its predecessor for 1963-68, is essentially a device for disbursing oil income rather than a well-defined program. Under the first plan, an initial investment expenditure of \$473 million in the public sector was increased to \$943 million because of a substantial increase in oil revenues during the plan period. Actual outlays, however, amounted to \$734 million with roughly half of this sum spent for transportation, communication projects, and other public works. About 30 percent of Libya's second plan is for expenditures on public works.

The expenditure pattern under the second plan probably will not differ substantially from the initial allocations; new projects are not likely to be added to the plan for at least two years. If another substantial increase in oil income should occur, the additional revenue probably would be diverted to development of the newly discovered reserves of ground water in the Kufra Oasis in southeast Libya.

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Lebanon: [Moves by the Lebanese Army to re-strict infiltration by fedayeen from Syria may re-sult in more frequent clashes between the two.]

[On 15 April, an army unit exchanged fire with a group of 80 commandos attempting to enter Lebanon from Syria. This followed a week in which there was a resurgence of incidents initiated by fedayeen along the Lebanese-Israeli border.]

[Recent reporting indicates that the number of infiltrators entering the country has increased markedly within the past few weeks. The majority of these men are members of Saiqah, a radical organization sponsored by the Syrian Government. Saiqah has all but ignored Beirut's pleas to moderate its activities. The army is apparently seeking to contain the group's buildup before the situation becomes completely unmanageable.]

[The Lebanese Government may also be concerned by the increased likelihood of Israeli reprisals. Israel's largest newspaper has charged that Lebanese authorities are doing nothing to prevent terrorist activities and has called for appropriate Israeli action against Arab commandos operating in southern Lebanon.]

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USSR: The economy is off to a poor start this year largely because of unusually harsh winter weather, which adversely affected industrial output as well as agriculture.

Civilian industrial production grew at the extremely slow rate of 2.5 percent during the first two months of this year, with the volume of output in February actually less than in February 1968. The immediate cause was a drastic slowdown in the growth of output of industrial materials, clothing, and food. The official Soviet report blamed these declines "to a significant degree" on the harsh winter weather, which caused disruptions in production and transportation schedules as well as shortages of fuels and raw materials.

In February, a sharp drop in the rate of growth of civilian machinery production ended a trend of increasing rates of growth evident throughout 1968. The rate of growth during the first two months, nevertheless, was a substantial nine percent. Declines in the growth of output of many types of machinery in February probably reflected shortages of fuels, metals, and chemicals. These shortages are likely to continue in the near future because of the current drop in output of industrial raw materials and semifinished products.

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Haiti: [Two recent incidents point up President Duvalier's sensitivity to a possible increase in Communist activity following the merger of the two largest groups in Haiti's fragmented Communist movement.]

[On 14 April Haitian military forces attacked a house on the outskirts of the capital, an action which the official Haitian newspaper has characterized as the "pulverization of Communist headquarters." The local press account states that some thirty Communists were killed, [but the actual number involved appears to have been far less.]

[Late last month Duvalier sent soldiers and militiamen to a village north of Port-au-Prince where rebel activity had been reported. The government forces reportedly took reprisals against the insurgents and their relatives and virtually leveled the town. Although it is not clear whether Communists were involved, both Duvalier and Radio Havana have linked the insurgency to the Unified Party of Haitian Communists.]

[The appearance of this new party has been hailed by the Soviet Union and Cuba, but there is no evidence that Haitian Communists are becoming a serious threat to Duvalier. In the past two months, however, the President has reacted by arresting over a hundred Haitians--many of whom have no Communist connections--on charges of Communist activity. While this is a typical precautionary move, Duvalier is also apparently trying to impress the new US administration with his anti-Communism.]

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Dominican Republic: [Recent outbreaks of Communist terrorism are likely to provoke military reprisals and further complicate political conditions.]

[Several terrorist incidents in the last ten days have claimed the lives of four military men and left three others seriously wounded. Two of those killed were reported to have been government agents who had infiltrated the Dominican Popular Movement, one of the more important Communist factions and author of two aborted plans for an armed uprising last month. This group has claimed credit for two of the incidents and is widely assumed to be responsible for all of the killings.]

[The prospect of a strong military reaction poses a dilemma for President Balaguer. He is apparently considering running for re-election next year, and is anxious to keep an already uneasy situation as calm as he can. He is also reluctant to add fuel to opposition charges that he has failed to curb military excesses. On the other hand, he is unlikely to risk alienating the armed forces--his major source of support--by restraining outraged military commanders.]

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Malaysia-Indonesia: The current good relations between the two countries are exemplified by the plan for Indonesia to observe next month's elections in the East Malaysian state of Sarawak.

[According to an official of the Malaysian Ministry of External Affairs,] Indonesia and Malaysia have agreed that an Indonesian team will observe the forthcoming elections in Sarawak to fulfill terms of a 1966 agreement ending Indonesia's three-year anti-Malaysia "confrontation." That agreement called for the people of Malaysia's two Borneo states--Sabah and Sarawak--to reaffirm their desire to remain in Malaysia.

At Malaysia's invitation, Indonesia sent observers to the Sabah state election in April 1967 and declared itself "completely satisfied" that the Sabah people had given their allegiance to Malaysia. The following September, diplomatic relations were re-established between the two countries.

The Indonesian team's activities will be largely pro forma because all political parties in Sarawak agree in principle that Sarawak should be Malaysian. Both the Malaysian and Indonesian governments foresee, however, that the Indonesian postelection report could be difficult to prepare. Some problem could result from the confusion in party politics there. At least two of the parties demand greater autonomy than prevails elsewhere in Malaysia. In addition, some local Communist-infiltrated branches of one of the parties oppose the concept of Malaysia.

In recognition of these problems, Indonesian Foreign Minister Malik has assured Malaysia that the "right people" will be selected for the observer team. In any event, the team will probably be in Sarawak for only a few days before and after elections, not throughout the month-long balloting process.

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USSR: The Soviets are about to begin a new series of ICBM tests at extended ranges. TASS announced yesterday that missiles will be launched to an area in the Pacific between 17 April and 15 June. Soviet ICBMs normally are test flown within the Soviet land mass from two test centers--Plesetsk and Tyuratam--which restricts the test range to about 3,400 miles. About three times each year, however, tests are conducted to the Pacific to approximate actual intercontinental distances. The newest Soviet ICBM--the solid-propellant SS-13--may be tested, although other ICBMs could be involved. [Redacted] (See map on reverse of page)

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Guatemala: Communist guerrillas may be planning to renew terrorism next month. Spectacular hit-and-run actions are proposed for the capital and the southern and western areas of the country.

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[Redacted]
The country has been relatively free of incidents for several weeks, [Redacted]

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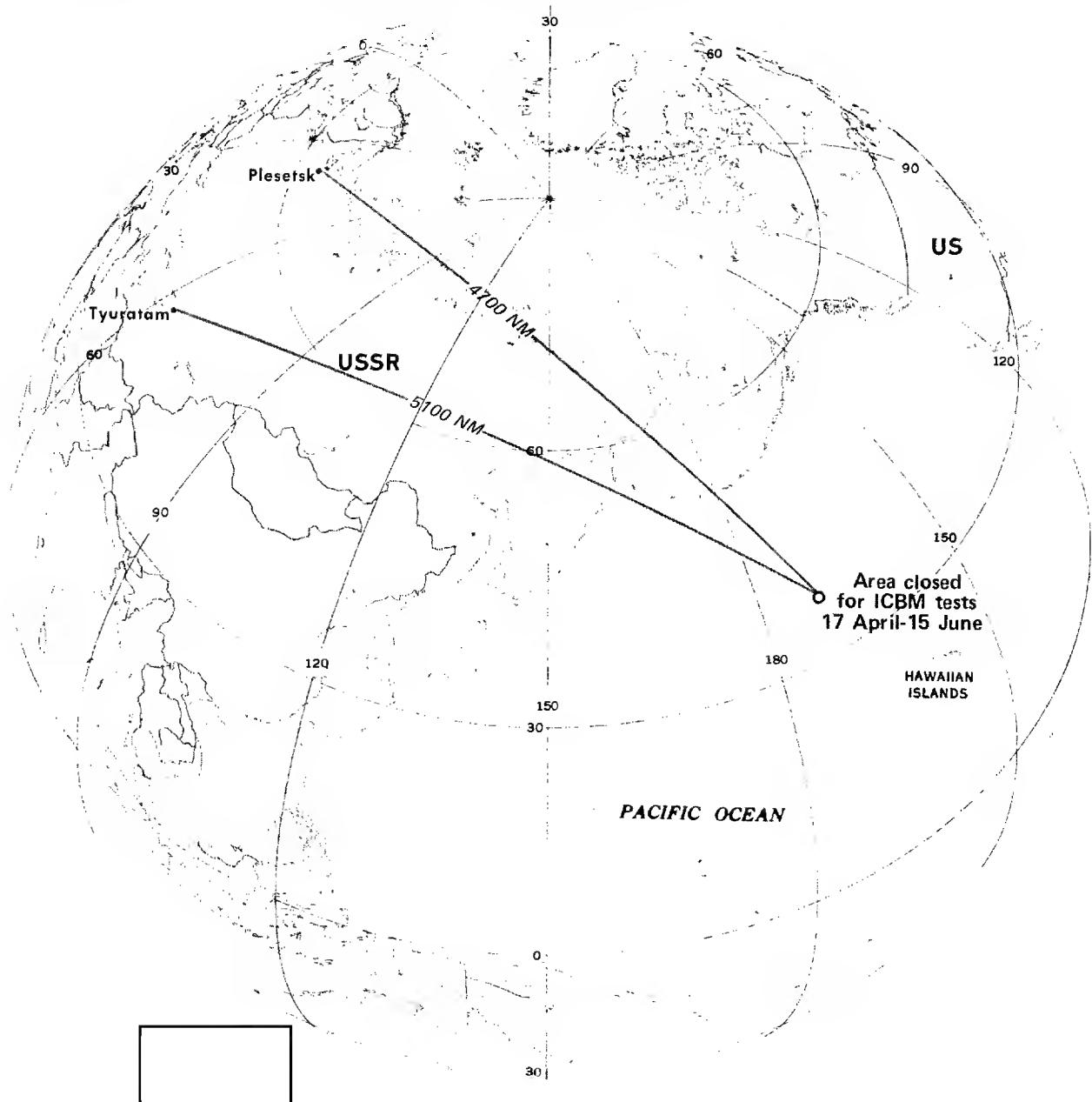
[Redacted] possibly as many as 40 Guatemalans have returned from training in Cuba and have begun organizing recently. The terrorists may take advantage of Governor Rockefeller's visit on 13 May to begin their new campaign. [Redacted]
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Soviets to Conduct Extended-Range ICBM Tests



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